

City of Detroit

CITY COUNCIL

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ANNE MARIE LANGAN
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TO: Councilmembers

FROM: Irvin Corley, Jr., Director *ICJ*
Anne Marie Langan, Deputy Director *AML*

DATE: January 11, 2010

RE: Line item #2 from January 6th Internal Operations Standing
Committee Meeting Regarding the City of Detroit Retiree's plan for
a \$30 monthly supplement

This item is scheduled to be brought back next week to provide time for the Administration to submit a written response. This is a brief report for the Councilmembers on this issue.

The City of Detroit civilian employees, once retired, have an association called the Detroit Retired City Employees Association (DRCEA) that each retiree may opt to join. The DRCEA has represented Detroit City retirees since 1960, according to their letterhead, although they do not have any official city bargaining unit status. However, every Administration has generally, annually, either received letters from or met with the leadership of the DRCEA to discuss some sort of requests for improvement to pensions or financial relief to healthcare. Every year Council has also scheduled a budget hearing during budget deliberations for the DRCEA to either listen to what the DRCEA requested of the Administration or some subsequent altered request.

During the spring of 2008 for the 2008-2009 budget hearings, the DRCEA met with Council and requested that Council consider adding an appropriation to the budget of \$1,654,000 for the purpose of providing a monthly stipend to retirees that retired prior to July 1, 1998 and were older than age 65. This stipend was to relieve the retiree since at 65, the retiree shifts to Medicare and immediately a monthly charge of \$90 is deducted from their Social Security check to cover the copay to the Feds for the Medicare coverage. The DRCEA suggests that the city is saving money as that retirees on Medicare "cost" the city less since the city's healthcare is now supplemental instead of primary. The DRCEA's letter also suggested that if \$30 per month was too much, then \$20 or \$15 per month would also be appreciated. The letter is attached.

City Council voted on the changes to the budget and they included an appropriation, number 10102 in Non-Departmental called "Benefits Administration" for \$1,654,200. This was the DRCEA's initial request based on their analysis and it was to be effective July 1, 2008. Due to a host of reasons, it took one year for the program to get up and running and the first stipends were mailed out in August 2009.

The current problem as explained by the DRCEA leadership at the last Internal Operations meeting, November 19, 2009, has to do with certain retirees who are displeased that they are not receiving the \$30 per month stipend.

The amount of money that was requested by the DRCEA was \$1,654,200, which was budgeted. In fact, the Administration added it to the cost of healthcare for the 2009-2010 budget so the expense is rolled in to the total figures for healthcare. This amount ties perfectly to the number of retirees over 65 who are paying for and are part of the city's healthcare program. The problem now lies with the 2,000 retirees who are over 65 and are not enrolled in the city's healthcare plan. They have found an alternative supplemental plan either through a different employer or a spouse's employment that works better for them. However, these retirees feel that they are also entitled to the \$30/month gift. Adding this group of people to the program would increase the city's cost by \$720,000 to increase the total annual cost to \$2.4 million.

In the attached DRCEA newsletter of October 2009, the requirements for receiving the stipend are enumerated and it does state you need to be enrolled in a city retiree medical plan as well as enrolled in Medicare parts A and B. These are the administrative rules as set up by the Administration. The rules dovetail with the amount of funding that was requested.

There should be a report provided to the Councilmembers by the Administration before next Wednesday's Internal Operation standing committee meeting.

Please contact our office if you would like any further clarification.

Attachments

cc: Council Divisions
Auditor General
Barbara Wise-Johnson, Labor Relations
Pamela Scales, Budget Director
Norman White, Finance Director
Kamau Marable, Mayor's Office



Detroit Retired City Employees Association
Representing Detroit City Retirees Since 1960

P.O. BOX 40713 • Detroit, MI 48240-0713 • 313-927-0491

May 9, 2008

Honorable City Council
City of Detroit
Thirteenth Floor
Coleman A. Young Municipal Center
2 Woodward Avenue
Detroit, Michigan 48226

Re: Information on the Detroit Retired City Employees Association Request for the
2008-2009 Budget

Dear Honorable Council Members:

We understand the your Honorable Body begins Executive Sessions on the 2008-2009 City budget on May 12, 2008, and we want to summarize the Association's position and lay out some options for your consideration.

When we departed the budget hearing on April 28th it was our understanding that Mr. Irvin Corley, Director of the Fiscal Analysis Division of the City Council would be sending specific requests and questions for us to address regarding our request for paying \$30 per month to all retirees currently over age 65, who retired prior to July 1, 1998. On April 29th I sent to you and the City Clerk and to Mr. Corley a thank you letter for hearing us and stated that we anticipated receiving such requests for information from Council Fiscal Analysis. No request has been received.

Let me review the request again. We asked that the Council approve funding for a payment of \$30 per month to certain retirees described above, with the intent of assisting those retirees with some help in meeting the cost of Medicare which currently exceeds \$90 per month and is growing substantially each year. This would cover 4,595 of the approximately 11,500 city retirees. This would not come from General Retirement System funds. It would cost the General Fund \$1,654,200 with additional funding from self-supporting departments as required for their retirees who met the same criteria.

The rationale for the City helping with Medicare costs is quite simple. The City saves significant amounts because Medicare is the primary insurer after age 65 and the City supplements Medicare. The savings to the City are substantially above the amounts requested for this \$30 per month benefit.

It is possible to approve a lesser amount. For instance a \$20 per month program would cost the General Fund \$1,102,800 and a \$15 per month benefit would cost \$827,500. Any amount would be appreciated but the amount should be meaningful in relation to the cost of over \$90 per month to the retiree.

A second priority benefit program would cost less and help fewer retirees but is included as an alternative. When DRCEA prepared their requests for 2008 -2009 we also prepared cost estimates for another possible improvement. Over the past several years the City Council has helped older retirees by reducing their monthly copay for their city health insurance plan by 50%. Retirees who left city employment prior to July 1, 1998, receive lower monthly pensions due to a lower factor applied in computing pension amounts. Other items such as average final compensation help improve the pension but significant changes occurred on July 1, 1992 and again on July 1, 1998. Each time the improved formula was applied only to those who retired on or after those dates, creating inequities among retirees.

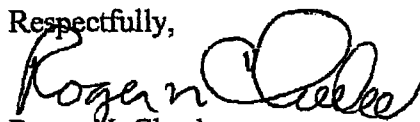
To help those older retirees, the cost of their monthly medical co-payment has been reduced by 50%. This has been extended by Council to groups of retirees over several years. Currently the lower monthly health co-pay applies to all retirees who retired prior to July 1, 1994, leaving four years (7-1-94 through 6-30-98) worth of retirees who have smaller pensions but are still paying the high medical amounts.

There are 1,149 retirees who are in that category, 916 General Fund and 233 in self-supporting divisions. To reduce the co-pays for the four year period would cost the General Fund \$788,942. Self-supporting divisions would cost \$264,018. The cost could, of course, probably be cut approximately in half if our request was granted only to those who retired 7-1-94 through 6-30-96. In such case, we are estimating that the General Fund cost would be about \$395,000.

Please note that both proposals involve direct benefits to retirees and will not to be paid out of the General Retirement System. Therefore, no actuarial valuation of the "cost" is needed (nor does it seem that a true "valuation" could actually be determined).

We appreciate all the assistance the City Council has provided in past years. We also appreciate the time you have taken to read this long request and our rationale. We hope you can assist City retirees by granting some relief as described above.

Respectfully,



Roger N. Cheek
President

cc. Honorable City Clerk Janice Winfrey
Director of City Council Fiscal Analysis Division Irvin Corley



DRCEA Newsletter

DETROIT RETIRED CITY EMPLOYEES ASSOCIATION

Representing Detroit City Retirees Since 1960

P.O. Box 40713 • Detroit, Michigan 48240-0713 • 313-927-0491 • Fax 248-676-2920

October, 2009

30.00 PAYMENTS for MEDICARE PARTICIPANTS BEGAN AUGUST, 2009

As most of you know, the City of Detroit budget for Fiscal Year 2008-2009 included an appropriation to pay a \$30.00 monthly payment (or stipend) to retirees who were properly enrolled in Medicare and paying the monthly premium for the Part B benefits. Such payments were to begin with the July 2008 pension checks, but were delayed for various reasons until August 2009 when 4,647 eligible retirees received their first payment. Obviously, retroactive payments are due, and although the exact date they will be made is not certain at this time, the City has made a commitment to make the retro payment and will do so as soon as feasible.

There is confusion about who is eligible to receive these payments. In an effort to clear up that confusion, here are the basic and primary eligibility requirements:

1. Retired on or before June 30, 1998.
2. Age 65 or older.
3. (a) Enrolled in one of the City of Detroit's retiree medical plans, and (b) Also enrolled in Medicare Parts A and B, and making the Part B monthly payments.

There are vested retirees of certain bargaining units that are not eligible for health coverage from the City of Detroit. Those members will not receive the \$30 stipend. Also, for the first and second monthly payments (August and September 2009), a few eligible retirees apparently did not receive the \$30.00 reimbursement because of their "coding" in the medical system records. Those codes have been modified and the missed payments are expected to be processed soon.

Note: The Benefits Administration staff asks for your patience as they review the records to determine eligibility for the Medicare stipend. This process will not be completed until the first of the year. If it is determined that you are eligible and you are not currently receiving the stipend, your name will be added to the roster and you will receive all retro payments due. If you feel you meet the qualifications as described above but have not started receiving the stipend by January 2010 please contact the Benefits Division (313) 224-2742 or (888) 288-2684; or, DRCEA (313) 927-0491.

Thomas Sheehan, Chairman
DRCEA Benefits Committee

LUNCHEON REPORT

DRCEA Annual Luncheon was held on July 30th at Burton Manor. Over 600 members and guests attended. President Roger Cheek announced the \$30.00 Medicare Stipend would begin with the August Pension check for those eligible to receive the stipend. Other reports were given by Jerry Fischer and Tom Sheehan. Prizes were given to Mable Billie Anderson, Fire Dept. and Porter Dillard, Housing Commission, as the oldest Retiree Members present. Both are 94 years of age.

The 2010 Luncheon will be held on July 29, 2010 at the Best Western STERLING INN located at Van Dyke Rd and 13 Mile Road. Information will be sent in future Newsletters.

THANK YOU

As many of you already know I was not re-elected to the Detroit General Retirement System Board of Trustees this past Spring. I thank those members who did vote for me for their support. I lost the election by 9 votes (out of 3500) to Alvin Brooks. It has been an honor to serve you these past four years and I will continue on as a Board Member of DRCEA. Best wishes to Alvin Brooks.

Jerry Fischer

MEMBERSHIP MEETING OCT 22, 2009 AT BURTON MANOR

The Annual Membership Meeting of DRCEA is being held on October 22nd at Burton Manor (located on 96 Service Drive between Inkster and Middlebelt Rds). The business meeting will begin at 10:00 AM with committee reports and the election of Officers and Board of Directors. A free raffle will be held with cash prizes and additional prizes donated by Board members. There will be free coffee, tea, and hot chocolate available for all who attend. Remember DRCEA represents all General City of Detroit Retirees and this is the time to show your support for the work they do on your behalf.

If you would like to pay your 2010 Dues at this meeting bring your Dues Renewal Notice, included in this mailing. Our Volunteer committee will be set up near the refreshment area to assist you. DRCEA does not deduct your annual dues from your pension check.

Doors will be open at 9:00 AM and parking is free. Come and enjoy a visit with your fellow Retirees. Raffle tickets will be given as you enter the room.

I. Moore

**NOW IS THE TIME TO RENEW
YOUR DRCEA MEMBERSHIP FOR 2010**

**PLEASE READ CAREFULLY BEFORE
COMPLETING YOUR RENEWAL FORM**

All 2009 DRCEA memberships expire Dec. 31. Enclosed with this newsletter is your enrollment card for 2010. Following is an explanation to help you complete your re-enrollment card correctly.

Check the address on the card. If it is not correct please make the necessary change on the front of the card. If you are a **seasonal traveler** and have 2 permanent addresses, on the dues renewal card you may list each address and phone number and the months you reside at each address. We will keep a record of these addresses and automatically make the changes on our mailing list. This will save you the cost of postage, phone call or Fax to notify us.

Dues: \$8.00 for 2010 to maintain your active membership. If you are sending a total of \$8.00 put this on the line marked **Total**.

Donation: this line is for additional money you may wish to contribute. This amount will be deposited into the treasury and will assist DRCEA with additional expenses incurred such as the recent rise in postal costs, subsidizing our Annual Luncheon and Annual Meeting and other expenses incurred to operate efficiently. Mark the amount you wish to contribute if any, on this line.

Political ACT Committee: The Detroit Retired City Employees Association maintains a Political Action Committee (PAC). The PAC makes monetary contributions to those candidates running for city offices that DRCEA believes will be supportive of our goals to improve the pensions and benefits for 11,500 DRCEA members. DRCEA-PAC is registered with Wayne County and files periodic campaign finance reports as required by Michigan law. When you receive your annual dues notice, DRCEA members are invited to make a voluntary contribution to the political action committee on the line marked **Political ACT Committee**. To make a contribution, simply write in the amount, if any, you wish to donate.

You may write one check that includes your annual dues, donation and any PAC contribution you wish to make. Every donation to the treasury or PAC donation-whether large or small- helps DRCEA work on your behalf.

Please include your phone number. We receive calls from members that can be answered with a phone call when we have your correct number. Your number will not be given out to anyone else. Your phone number is also important to DRCEA when your mail is returned to us. We will be able to contact you personally and determine why you didn't receive your mailing. Please fill out your 2010 enrollment card **now...** and return it with your check or money order made payable to "DRCEA" in the enclosed envelope.

2010 membership cards will be mailed with the January, 2010 newsletter to all members

who have paid their dues (before Dec. 31, 2009). Do this **NOW** before you misplace this newsletter and enrollment card.

Every year we receive checks returned by our bank due to "insufficient funds" or on closed accounts. DRCEA is assessed an additional \$12.00 when these checks "bounce". Please be very careful when writing your check that it is written on an "open account" and you have money on deposit to cover your check. When this happens we will cancel your membership and bill you the additional \$12.00 to cover our loss.

If you are using online banking to pay your dues, it is imperative that you also return your Annual Dues Notice form to DRCEA with a note that your check is coming direct from the bank. This is your only proof that your dues are paid and it serves as a back-up for our computer files. Thank you.

(From L. Myers)

WHAT MUST YOU DO AT 65?

When you, or your spouse, turn 65 you are automatically notified to enroll in Medicare. You must notify the City Benefits Division in writing and include a **Copy of your Medicare card** at 1300 Rosa Parks Boulevard, Detroit 48216. If you don't do this it could mean loss of benefits and considerable personal expense for your medical and hospital care. Call the City Benefits Division office at 888-288-2684 or 313-224-4813 or 313-224-2742 if you have any questions. Make sure you are covered correctly for all medical care needs.

The above requirement to enroll in Medicare Parts A and B and notify the City Benefits Division along with a copy of their Medicare card also applies to disabled retirees and their spouses as soon as they become Medicare eligible. This is also required by the City's medical care plan.

**WHEN YOU CHANGE YOUR
ADDRESS...**

...it is imperative that you notify us in writing when you move or change your mailing address. Voice Mail notice to DRCEA is not sufficient. We often get phone numbers that are disconnected or names we cannot locate in our records. Therefore, you must put it in writing and send your notice of change of address to us at P.O. Box 40713, Detroit 48240-0713 or FAX the information to us at 248-676-2920. Be sure to include your full name, your old address and new address, and your new phone number, in the event we need to contact you. If you have failed to notify us directly, your mail is returned to DRCEA and you miss important information that we attempt to send you.

Remember also, to notify the City Pension Bureau and Benefits Division in writing of changes of address. Do not just leave a phone message.